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SUBJECT: ARGENTINA: HIGHLIGHTS OF JULY 1-2 MERCOSUR SUMMIT

REF: BUENOS AIRES 0894

¶1. (SBU) Summary and Introduction: Mercosur and associated member country presidents meeting at the July 1-2 Mercosur summit in Tucuman, Argentina, strongly condemned the EU's toughened immigration policies and declared their intention to fight their enforcement. President Cristina Fernandez de Kirchner (CFK) defended her export tax policy on soybeans and blamed the increase in commodity prices on financial speculators. As a group, the Mercosur leaders expressed concerns over "speculation," with some urging the formation of a common policy in the face of rising food prices globally. Finally, the presidents spoke of the "strategic need" for broader integration within the bloc. Hugo Chavez was, ultimately, a no-show at a rally organized on the margins of the summit by pro-GOA leftist organizations, reportedly at the behest of CFK concern over the likelihood that comments from Chavez and local firebrands such as Hebe de Bonafini and Luis D'Elia would not facilitate the delicate, ongoing debate in the legislature over the agricultural export tax issue. End Summary.

EU Immigration Policy Unites Mercosur

¶2. (SBU) The European Union's toughened immigration policies served to unite the Mercosur and associate member presidents at the regional organization's 35th summit in San Miguel de Tucuman, Argentina on June 30 and July 1. They were unanimous in their vigorous denunciation, even altering the language in the final summit declaration from "deep concern" to "reject." Host and Mercosur president pro tempore Cristina Fernandez de Kirchner (CFK) called the EU's Return Policy "unacceptable" and said it "sends [the world] back to other xenophobic times." Evo Morales stated the EU policy damaged the dignity of human beings and wondered "where is the European soul?" President Lula said it was hateful persecution and that "there is a cold wind of xenophobia blowing again with false responses to economic and social challenges." President Bachelet noted that "we (Latin America) were very generous with the Europeans who came in the last century. It is not fair that our people receive such denigrating treatment." President Lula, who assumed the Mercosur presidency pro tempore at the summit, promised to press the EU not to apply the stricter new measures scheduled to be implemented in 2010.

¶3. (U) Mercosur leaders announced their intention to allow their citizens to cross their borders with just national identity documents, no longer requiring passports for South American travel. The press noted that, although there was no implementation date, this was the summit announcement that had the greatest practical impact for Argentine citizens, who are able to travel to neighboring countries with identification cards but would now be able to arrive in non-bordering countries such as Ecuador or Peru as well. (Comment: So far as we can tell there was little discussion of the potential public security effects of this decision or of a timeline for implementation.)

Financial Speculators Responsible for Rising Food Prices

¶4. (SBU) CFK used the occasion of her opening remarks to mount a strong defense of the GOA's increased taxes on soy exports (reftel and previous reporting). Only president Chavez specifically supported CFK's policy, relating the farm sector demonstrations with the coup attempt against him. President Tabare Vazquez was implicitly critical, however, of GOA actions, calling for a common policy in the face of mounting food prices. President Lula also implied disagreement with GOA policy, noting the historically large swings in commodity prices, "for which we have to take advantage of the moments of equilibrium."

¶5. (U) CFK, in her remarks, linked rising global food prices to speculation in the commodities markets. She noted that when banks "started taking on water" (referring to the U.S. mortgage crisis), financiers shifted their focus to agricultural commodity markets, and speculation accelerated. Other leaders expressed their shared concerns about the effects of speculation in the commodities markets. Lula said his government was forming a team to analyze the behavior of the futures markets. Tabare Vazquez said regional integration processes were fundamental to counter current price trends. Chavez proposed the creation of a high-level working group to analyze the question of food security. He also said that, as long as the price of oil remained above \$100 a barrel, he would contribute a dollar of every barrel to an emergency fund for food security in Mercosur, calculating this could raise \$920 million a year.

Regional Integration

¶6. (U) CFK linked the region's historically strong levels of growth in recent years with the new generation of democratic leaders, who, she said, focus more on social demands. She stressed that had always been a "challenge/goal" in the past, but that it "was now a strategic need" both for the growth of the countries and for the defense of the region's natural resources.

¶7. (SBU) In other remarks, CFK stated her support for Bolivia's request to have Mercosur observers during the country's upcoming recall referendum. And, in her focus on the past, she praised the Chilean "School of Journalists" for having apologized for some of its members' covering-up of facts during the Chilean dictatorship and for expelling those involved in the cover-up.

The Hugo Chavez Show

¶8. (SBU) The Hugo Chavez show was relatively restrained compared to previous visits to Argentina, probably at the behest of local authorities. He was openly supportive of CFK's controversial soy export tax policy and, in public remarks, compared the farm protests against the GOA to the attempted coup against his government in 2002. "Recently, I watched on television the expressions against the Argentine government, and it appeared very much like what happened in Venezuela in 2001: an oligarchy that does not want change and refuses to recognize the legitimacy of the government and the laws provided in order to benefit everyone." Chavez did note, however, that it was an internal problem and he had "no intention" of interfering.

¶9. (SBU) Chavez also strongly echoed the regional integration message, insisting that "until we break the mechanisms of foreign dependence and internal exclusion in each country we will not be truly independent."

¶10. (SBU) Of the Mercosur leaders, Chavez was one of the most emphatic in condemning the EU's new immigration policies. "We too will apply the law of return; the investments should go. They [Europeans] have banks in Venezuela, petroleum investments, gas investments. We would have to apply a law of return. Take all of your capital, too."

¶11. (SBU) Chavez used his opening remarks at the summit to take a jab at the USG. He criticized the U.S. Navy's reactivation of the Fourth Fleet, identifying it as a "threat" to Latin America. Chavez characterized it as a U.S. attempt to gain access to the region's natural resources and control strategic Latin American waterways such as the Amazon, Parana, and Orinoco Rivers. Evo Morales joined

Chavez in his disapproval of U.S. military presence in the region, affirming his intention not to allow a U.S. military base in his country.

¶12. (SBU) A public rally (at which Chavez was billed as the featured speaker), organized by pro-GOA leftist groups and scheduled to take place July 1 in Tucuman's main soccer stadium on the margins of the official summit, was ultimately cancelled. The official reason reported in the press was that Chavez's people backed out because of concerns over security arrangements. The alternate explanation, also reported in the press, was that Chavez backed out at the behest of CFK, who was concerned over the likelihood that exhortations from Chavez and the likes of such local firebrands such as Hebe de Bonafini and Luis D'Elia would not facilitate the delicate, ongoing debate in the legislature over the agricultural export tax issue.

Comment

¶12. (SBU) The Mercosur summit was largely overshadowed in Argentine media coverage by reporting on congressional efforts to resolve the 120-day old agricultural crisis. Mercosur diplomatic sources tell us that the GOA, preoccupied with its domestic political situation, did not even begin to communicate logistical details about the summit in the remote provincial town of Tucuman until five calendar days before it was to begin. Commentators noted that CFK took an unusually small delegation with her to Tucuman, and that her husband Nestor dropped off the manifest at the last minute. While in Tucuman, CFK reportedly remained in close telephonic consultation with her advisors back home regarding developments in congressional negotiations. The summit proceeded largely as scripted (per reftel), which for the GOA was a desirable outcome.

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